PROJECT REBUILD COMMUNITY SCHOOL
STARK COUNTY

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 2006

Mary Taylor, CPA
Auditor of State

PROJECT REBUILD COMMUNITY SCHOOL
STARK COUNTY

TABLE OF CONTENTS

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Mary Taylor, CPA
Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Project REBUILD Community School
Stark County
406 Shorb Avenue NW
Canton, Ohio 44703-2617

To the Board of Trustees:

We have audited the accompanying basic financial statements of the Project REBUILD Community School, Stark County, Ohio, (the School) as of and for the year ended June 30, 2006, as listed in the Table of Contents. These financial statements are the responsibility of the School's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Project REBUILD Community School, Stark County, Ohio, as of June 30, 2006, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 16, 2007, on our consideration of the School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters for the year ended June 30, 2006. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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www.auditor.state.oh.us

Mangagement's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Mary Taylor

Mary Taylor, CPA
Auditor of State

May 16, 2007

PROJECT REBUILD COMMUNITY SCHOOL
STARK COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Unaudited)

The discussion and analysis of Project REBUILD Community School (the School) financial performance provides an overall review of the financial activities for the fiscal year ended June 30, 2006. Readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School's financial performance.

Financial Highlights

Project REBUILD received its charter from the Ohio Council of Community Schools in April of 2004 and began operations on July 1, 2004.

Key financial highlights for fiscal year 2006 are as follows:

- Total net assets increased $171,855 in fiscal year 2006.
- Total revenue increased from $526,787 in fiscal year 2005 to $814,254 in fiscal year 2006.
- Similarly, total expenses increased from $419,409 in fiscal year 2005 to $642,399 in fiscal year 2006.
- Current liabilities increased $88,558 with current assets also increasing $111,968 in fiscal year 2006.
- The School has no long term liabilities as of June 30, 2006.

Using this Financial Report

This annual report consists of a series of financial statements and notes to those statements. The basic financial statements include a Statement of Net Assets, a Statement of Revenues, Expenses and Changes in Net Assets, and a Statement of Cash Flows.

The Statement of Net Assets and Statement of Revenues, Expenses, and Changes in Net Assets reflect how the School did financially during fiscal year 2006. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting includes all of the current year revenues and expenses regardless of when cash is received or paid.

Table 1
Statement of Net Assets

	Business Type Activities	
	2006	2005
Assets:		
Cash and Other Current Assets	$221,373	$109,405
Capital Assets, Net	156,294	7,849
Total Assets	377,667	117,254
Liabilities:		
Current Liabilities	123,211	34,653
Total Liabilities	123,211	34,653
Net Assets:		
Invested in Capital Assets	156,294	7,849
Unrestricted	98,162	74,752
Total Net Assets	$254,456	$82,601

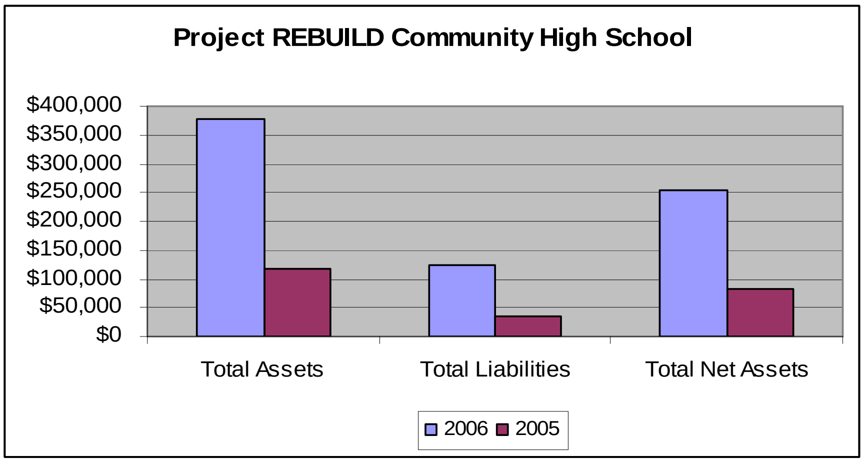
These statements report the School's net assets and changes in those assets. This change in net assets is important because it tells the reader whether the financial position of the School has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the School's student enrollment, per-pupil funding as determined by the State of Ohio, change in technology, required educational programs and other factors.

The School uses enterprise presentation for all of its activities.

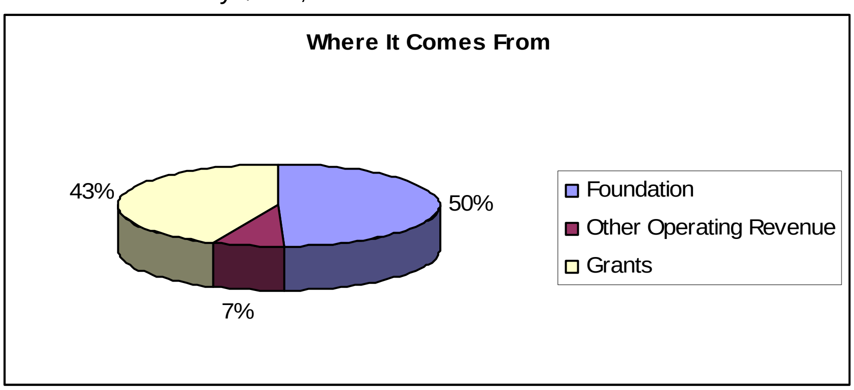
Statement of Net Assets

The Statement of Net Assets answers the question of how the School did financially during 2006. This statement includes all assets and liabilities, both financial and capital, and short-term and long-term using the accrual basis of accounting and economic resources focus, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all revenues and expenses during the year, regardless of when the cash is received or paid.

Table 1 provides a summary of the School's net assets as of June 30, 2006 compared to the prior year.



Cash and other current assets increased in 2006 due to increased revenues (primarily federal revenues and private contributions). Capital assets, net, increased as a result of acquisitions. Liabilities increased by $88,558 due to accounts payable liabilities due at year end. Total Net Assets increased by $171,855.



Statement of Revenues, Expenses and Changes in Net Assets

Table 2 shows the changes in net assets for fiscal year 2006, as well as a listing of revenues and expenses. This change in net assets is important because it tells the reader that, for the school as a whole, the financial position of the school has improved or diminished. The cause of this may be the result of many factors, some financial, some not. Non-financial factors include the current laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

The revenue generated by a community school is almost entirely dependent on per-pupil allotment given by the State foundation and from federal entitlement programs. Foundation payments made up 50% of revenues for the School in fiscal year 2006. Grant revenues increased substantially due to the increase of federal startup funding. Enrollment for the first year was approximately 48 students. Enrollment is projected to remain stable for Fiscal Year 2007; increase to 75 the following year and to 90 students in the final year of this contract.

Table 2
Changes in Net Assets

	Business Type Activities	
	2006	2005
Operating Revenues		
Foundation	$401,839	$444,967
Other Operating Revenue	59,964	19,625
Non-Operating Revenues		
Grants	352,451	62,195
Total Revenues	814,254	526,787
Operating Expenses		
Salaries	293,699	209,867
Fringe Benefits	65,726	45,123
Purchased Services	98,706	93,109
Materials and Supplies	78,252	27,540
Insurance	17,717	0
Rent	32,899	26,984
Sponsor Fees	14,886	9,856
Depreciation	39,154	321
Other Operating Expenses	1,360	6,609
Total Expenses	642,399	419,409
Total Increase/(Decrease) in Net Assets	$171,855	$107,378

Budgeting Highlights

Unlike other public schools located in the State of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Rev. Code Chapter 5705, unless specifically provided in the Community School's contract with its Sponsor. The contract between the School and its Sponsor does prescribe a budgetary process. The School has developed a one year spending plan and a five-year projection that is reviewed periodically by the Board of Trustees. The five-year projections are also submitted to the Sponsor and the Ohio Department of Education.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2006, the School has $156,294 in net capital assets. These purchases represent computer technology (both in the lab and in the classrooms) as well as vocational education tools and instructional equipment. See Note 4 for additional information.

Debt

At June 30, 2006, the School had no long term debt.

Current Financial Related Activities

The School's financial outlook over the next several years shows continued growth as enrollment is projected to increase.

Contacting the School's Financial Management

This financial report is designed to provide all citizens, taxpayers, and creditor's with a general overview of the School's finances. Questions concerning any of the information in this report or requests for additional information should be directed to Cherie Cox CFO, Project REBUILD Community School, 406 Shorb Ave.,Canton, OH 44703.

Project REBUILD Community School
Stark County

Statement of Net Assets
June 30, 2006

Assets	
Current Assets:	
Cash and Cash Equivalents	$63,771
Receivables:	
Intergovernmental	157,602
Total Current Assets	221,373
Noncurrent Assets:	
Capital Assets:	
Depreciable Capital Assets, net	156,294
Total Noncurrent Assets	156,294
Total Assets	377,667
Liabilities	
Current Liabilities:	
Accounts Payable	78,327
Accrued Wages and Benefits	40,118
Intergovernmental Payable	4,766
Total Current Liabilities	123,211
Total Liabilities	123,211
Net Assets	
Invested In Capital Assets	156,294
Unrestricted	98,162
Total Net Assets	$254,456

See accompanying notes to the basic financial statements.

Project REBUILD Community School
Stark County

Statement of Revenues, Expenses and Changes in Net Assets
For the Fiscal Year Ended June 30, 2006

Operating Revenues	
Foundation	$401,839
Miscellaneous	59,964
Total Operating Revenues	461,803
Operating Expenses	
Salaries	293,699
Fringe Benefits	65,726
Purchased Services	98,706
Materials and Supplies	78,252
Insurance	17,717
Rent	32,899
Sponsor Fees	14,886
Depreciation	39,154
Other	1,360
Total Operating Expenses	642,399
Operating Income (Loss)	(180,596)
Non-Operating Revenues (Expenses)	
Grants	352,451
Total Non-Operating Revenues (Expenses)	352,451
Change in Net Assets	171,855
Net Assets Beginning of Year	82,601
Net Assets End of Year	$254,456

See accompanying notes to the basic financial statements

Project REBUILD Community School
Stark County

Statement of Cash Flows
For the Fiscal Year Ended June 30, 2006

Increase (Decrease) in Cash and Cash Equivalents	
Cash Flows from Operating Activities	
Cash Received from State	$420,423
Other Cash Receipts	41,964
Cash Payments to Employees for Services	(268,903)
Cash Payments for Employee Benefits	(69,603)
Cash Payments for Goods and Services	(174,819)
Other Cash Payments	(1,360)
Net Cash Provided by (Used in) Operating Activities	(52,298)
Cash Flows from Noncapital Financing Activities	
Operating Grants Received	241,248
Cash Flows from Capital and Related Financing Activities	
Capital Assets Purchased	(187,599)
Net Increase (Decrease) in Cash and Cash Equivalents	1,351
Cash and Cash Equivalents Beginning of Year	62,420
Cash and Cash Equivalents End of Year	$63,771

Project REBUILD Community School
Stark County

Statement of Cash Flows (Continued)
For the Fiscal Year Ended June 30, 2006

Reconciliation of Operating Gain (Loss) to Net Cash Provided by (Used in) Operating Activities	
Operating Gain (Loss)	($180,596)
Adjustments:	
Depreciation	39,154
(Increase) Decrease in Assets:	
Intergovernmental Receivable	584
Increase (Decrease) in Liabilities:	
Accounts Payable	67,641
Accrued Wages	24,796
Intergovernmental Payable	(3,877)
Net Cash Provided by (Used in) Operating Activities	($52,298)

See accompanying notes to the basic financial statements

1. DESCRIPTION OF THE ENTITY

Project REBUILD Community School (the School) is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702. The School's objectives are to carry out the academic training component of the Project REBUILD, Inc. (PR) YouthBuild program and to advance underserved youth through education, job training, personal development, leadership development, and community service. The Project REBUILD program helps dropouts from traditional high schools in a year round program that enables students to gain employable skills by building and rehabilitating houses in Canton Zone that are sold to low-income families. The School, which is part of the State's education program, is independent of any school district and is nonsectarian in its programs, admission policies, employment practices, and all other operations.

The School may sue and be sued, acquire facilities as needed, and contract for any services necessary for the operation of the School. The School was approved for operation from July 1, 2004 to June 30, 2009 under a contract by and between the Ohio Council of Community Schools (OCCS), as Sponsor, and the Governing Authority of Project REBUILD Community School, dated April 7, 2004. The School commenced official operation on July 1, 2004. The six member Board is responsible for carrying out the provisions of the contract, which include, but are not limited to, state-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers. The Board oversees the School's principal, four certified full-time and two part time teaching personnel who provided services to approximately 48 students during the school year.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the School have been prepared in conformity with generally accepted accounting principles as applied to a governmental nonprofit organization. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School also applies Financial Accounting Standards Board statements and interpretations issued on or before November 30, 1989, provided they do not conflict with or contradict GASB pronouncements. The School does not apply FASB Statements or Interpretations issued after November 30, 1989. The more significant of the School's accounting policies are described below.

A. Basis of Presentation

The School's basic financial statements consist of a Statement of Net Assets, a Statement of Revenues, Expenses and Changes in Net Assets, and a Statement of Cash Flows. The School uses enterprise accounting to maintain its financial records during the fiscal year. Enterprise accounting focuses on the determination of operating income, changes in net assets, financial position, and cash flows. Enterprise accounting may be used to account for any activity for which a fee is charged to external users for goods or services.

B. Measurement Focus/Basis of Accounting

Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of the School are included on the Statement of Net Assets. The Statement of Revenues, Expenses and Changes in Net Assets presents increases (e.g., revenues) and decreases (e.g., expenses) in total net assets. The Statement of Cash Flows reflects how the School finances and meets its cash flow needs.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus/Basis of Accounting (Continued)

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. The accrual basis of accounting is used for reporting purposes. Revenue resulting from exchange transactions, in which each party gives and receives equal value, is recorded on the accrual basis when the exchange takes place. Revenue resulting from non-exchange transactions, in which the School receives value without directly giving equal value in return, such as grants, entitlements and donations, are recognized in the period in which all eligibility requirements have been satisfied. Deferred revenue arises when assets are recognized before the revenue recognition criteria have been satisfied. Expenses are recognized at the time they are incurred.

D. Budgetary Process

Unlike other public schools located in the State of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Revised Code Chapter 5075, unless specifically provided in the School's contract with its Sponsor. The contract between the School and the Sponsor requires a detailed school budget for each year of the contract; however, the budget does not have to follow the provisions of Ohio Revised Code Section 5705, except for section 5705.391 as it relates to five-year forecasts.

E. Cash

All cash received by the School is deposited in an account in the School's name. The School did not have any investments during fiscal year 2006.

F. Capital Assets and Depreciation

Capital assets and improvements are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market value as of the date received. The School maintains a capitalization threshold of five hundred dollars for all assets. The School does not possess any infrastructure.

The School does not capitalize interest. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Improvements, however, are capitalized. Buildings, vehicles, furniture and equipment are depreciated using the straight-line method over the assets' estimated useful lives. Improvements to capital assets are depreciated over the remaining useful lives of the related capital assets. The following is the estimated useful lives for property, vehicles, furniture and equipment:

Assets	Useful Life
Buildings and Improvements	25-40 years
Land Improvements	10-20 years
Vehicles	5-10 years
Furniture and Equipment	5-10 years

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Intergovernmental Revenues

The School currently participates in the State Foundation Program and State Disadvantaged Pupil Impact Aid Program. Revenues received from these programs are recognized as operating revenues in the accounting period in which all eligibility requirements have been met. Grants and entitlements, non-exchange transactions in which the School receives value without directly giving equal value in return, are recognized as non-operating revenues in the accounting period in which all eligibility requirements have been met. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School on a reimbursement basis. The School participates in the Comprehensive Continuous Improvement Planning Program through the Ohio Department of Education. Revenue received from this program is recognized as non-operating revenue. Amounts awarded under the above programs for the 2006 school year totaled $735,096.

H. Compensated Absences

Leave benefits are not accrued as a liability for the School. All leave is to be used during the contract year with no provisions for carry over from one school year to the next. Vacation leave is scheduled in advance according to the school calendar. Sick leave must be used during the school year, is non-accumulative, and is not paid out at the end of the school year.

I. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

J. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, consists of capital assets, net of accumulated depreciation. Net assets are reported as restricted when there are limitations imposed on their use, either through enabling legislation adopted by the School or through external restrictions imposed by creditors, grantors, or contracts. The School applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. The School had no restricted net assets at June 30, 2006.

K. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the School. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the School. All other revenues and expenses are reported as non-operating.

L. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2006, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase by the School and an expense is recorded when used. The School had no prepaid items at June 30, 2006.

3. CASH

At June 30, 2006, the carrying amount of the School's deposits was $63,771. Based on the criteria described in GASB Statement No. 40 "Deposits and Investment Risk Disclosures", as of June 30, 2006 the bank balance was $65,269. The total bank balance was insured by the Federal Deposit Insurance Corporation (FDIC). The School had no investments at June 30, 2006 or during the fiscal year.

Custodial credit risk is the risk that, in the event of bank failure, the School's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the School.

4. CAPITAL ASSETS

A summary of the School's capital assets is a follows:

Capital Assets Being Depreciated	Balance 06/30/05	Additions	Retirements	Balance 06/30/06
Furniture and Equipment	$ 8,170	$ 187,599	$ -	$ 195,769
Less: Accumulated Depreciation	(321)	(39,154)	-	(39,475)
Net Capital Assets	$ 7,849	$ 148,445	$ -	$ 156,294

5. RISK MANAGEMENT

A. Property and Liability

The School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; injuries to employees; and natural disasters. For fiscal year 2006, the School contracted with Indiana Insurance Company for property and general liability insurance with limits of $5,000,000 each occurrence and $10,000,000 aggregate. Claims did not exceed insurance coverage over the past year.

B. Worker's Compensation

The School pays the State Worker's Compensation System a premium for employee injury coverage. The premium is calculated by multiplying the monthly total gross payroll by a factor that is calculated by the State. The School had paid all premiums as of June 30, 2006.

6. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The School contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476 or by calling (800) 878-5858 or by visiting the SERS website at www.ohsers.org.

Plan members are required to contribute 10% of their annual covered salary and the School is required to contribute at an actuarially determined rate. The current rate is 14% of annual covered payroll. A portion of the School's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for the fiscal year 2006, 10.58% of annual covered salary was the portion to fund pension obligations. For fiscal year 2005, 10.57% was used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS Retirement Board. The School's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2006 and 2005 were $7,129 and $4,824 respectfully; 60% has been contributed for fiscal year 2006.

B. State Teachers Retirement System

The School participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371, by calling (614) 227-4090 or by visiting the STRS Ohio website at www.strsoh.org.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code. A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

6. DEFINED BENEFIT PENSION PLANS (Continued)

B. State Teachers Retirement System (Continued)

For the fiscal year ended June 30, 2006, plan members were required to contribute 10% of their annual covered salaries. The School was required to contribute 14%; 13% was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School's required contributions for pension obligations for the fiscal years ended June 30, 2006 and 2005 was $36,719 and $19,073 respectively.

94% has been contributed for fiscal year 2006. As of June 30, 2006, the School's cumulative liability to STRS Ohio was $2,023.

7. POST-EMPLOYMENT BENEFITS

The School provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System of Ohio (STRS Ohio), and to retired non-certified employees and their dependents through the School Employees Retirement System of Ohio (SERS). Benefits include hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the systems based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis.

STRS Ohio retirees who participated in the DB or combined plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2006, the STRS Ohio Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. For the School, this amount equaled $2,623 for fiscal year 2006.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2005, (the latest information available) the balance in the Fund was $3.3 billion. For the fiscal year ended June 30, 2005, net health care costs paid by STRS Ohio were $254,780,000 and STRS had 115,395 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, and to disability and survivor benefit recipients. All retirees and beneficiaries are required to pay a portion of their premium for health care. The portion is based on years of service, Medicare eligibility, and retirement status.

7. POST-EMPLOYMENT BENEFITS (Continued)

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2006, employer contributions to fund health care benefits were 3.42 percent of covered payroll, compared to 3.43 percent of covered payroll for fiscal year 2005. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2006, the minimum pay was established at $35,800. However, the surcharge is capped at 2 percent of each employer's SERS salaries. For the 2006 fiscal year, the School paid $2,401 to fund health care benefits.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of projected claims less premium contributions for the next fiscal year. Expenses for health care for the fiscal year ended June 30, 2005 (the latest information available), were $178,221,113 and the target level was $335.2 million. At June 30, 2005, SERS had net assets available for payment of health care benefits of $267.5 million. SERS has approximately 58,123 participants currently receiving health care benefits.

8. MEDICAL AND DENTAL EMPLOYEE BENEFITS

The Project REBUILD, Inc. (PR) has contracted with Hometown Network for a group eligible medical policy including full-time employees of the School. All full-time employees are eligible to select coverage under this plan, once they have been employed by the School for thirty days.
Employees pay a portion of the premium as a payroll withholding in a flat amount depending on the type of coverage chosen. Project REBUILD, Inc. paid for the remaining employer portion of the premiums for the School employees. There was no dental plan available in fiscal year 2006.

9. PURCHASED SERVICES

For the period July 1, 2005 through June 30, 2006, purchased service expenses were for the following services:

Professional Services	$41,683
Property Services	9,739
Travel and Meetings	21,173
Communications	9,323
Utilities	12,658
Trade Services	600
Pupil Transportation	3,530
Total	$98,706

10. SPONSORSHIP FEES

Under Paragraph D(4) of the sponsor contract with Ohio Council of Community Schools (OCCS), it States that a School"...shall pay to the Sponsor the amount of three percent (3%) of the total per-pupil. Funds received each year with the following exceptions: planning and start-up funds, and grants the School may receive, in consideration for the time, organization, oversight, fees and costs of the Sponsor pursuant." Such fees are paid to the OCCS monthly. As indicated on the Statement of Revenues, Expenses and Changes in Net Assets, the School incurred $14,886 in sponsor fees to OCCS.

11. TAX EXEMPT STATUS

In June 2005, the School completed its application and filed for tax exempt status under 501(c) 3 of the Internal Revenue Code. On May 10, 2006, the school received notification of IRS approval for tax exempt status under 501 (c)3 effective as of March 11, 2004.

12. RELATED ORGANIZATIONS/RELATED PARTY TRANSACTIONS

The School is a related organization to Project REBUILD, Inc., a non-profit organization affiliated with YouthBuild USA. A description of the School's relationship with these entities follows.

Two of the School Board members are also Board Members of Project REBUILD, Inc. The School Board President is the Executive Director of Project Rebuild, Inc. and the CFO splits her time between the School and Project REBUILD, Inc. Project REBUILD does not impose its will on the School Board. The School Board sets its own budget, hires/terminates personnel, and authorizes all expenditures. Related party transactions with PR were as follows:

Description of Transaction	Amount
Amounts received from PR:	
For Vocational and Academic Instruction	$57,910
Donations	1,329
Disbursements to PR:	
Medical Insurance	10,419

13. CONTINGENCIES

A. Grants

The School received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the School. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School at June 30, 2006.

14. CONTINGENCIES (Continued)

B. State School Funding Decision

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school funding decision is unconstitutional. The Supreme Court relinquished jurisdiction over the case and directed "…the Ohio General Assembly to enact a school funding scheme that is thorough and efficient…". The School is currently unable to determine what effect, if any, this decision will have on its future State funding and on its financial operations.

C. Full Time Equivalency

The Ohio Department of Education (ODE) conducts reviews of enrollment data and full time equivalency (FTE) calculations made by the School. These reviews are conducted to ensure the School is reporting accurate student enrollment data to the State, upon which state foundation funding is calculated. An initial fiscal year 2006 FTE review was conducted on site by ODE on June 23, 2006. No errors were identified during the initial FTE review process. However, subsequent to year end the review resulted in an adjustment which is reflected in the accompanying financial statement as intergovernmental receivable.

D. Litigation

A suit was filed in the U.S. District, Southern District of Ohio, Western Division, on October 6, 2004, which challenges the funding of charter schools under Equal Protection, Due Process and claims violation of a right to vote on the bodies administering public schools. The case is still pending. The effect of this suit, if any, on the Project REBUILD Community School is not presently determinable.

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Mary Taylor, CPA
Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Project REBUILD Community School
Stark County
406 Shorb Avenue NW
Canton, Ohio 44703-2617

To the Board of Trustees:

We have audited the basic financial statements of the Project REBUILD Community School, Stark County, Ohio, (the School) as of and for the year ended June 30, 2006, and have issued our report thereon dated May 16, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School's internal control over financial reporting to determine our auditing procedures in order to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the School's management dated May 16, 2007, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

Compliance and Other Matters

As part of reasonably assuring whether the School's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

101 Central Plaza South / 700 Chase Tower / Canton, OH 44702-1509
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www.auditor.state.oh.us

We intend this report solely for the information and use of the Audit Committee, management and the Board of Trustees. It is not intended for anyone other than these specified parties.

Mary Taylor

Mary Taylor, CPA
Auditor of State

May 16, 2007

Mary Taylor, CPA
Auditor of State

PROJECT REBUILD COMMUNITY SCHOOL

STARK COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
JUNE 14, 2007

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